EXCERPTS FROM

NOTES FOR AN ADDRESS

BY

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TO THE

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A RECORD YEAR FOR OIL EXPORTS

Canada will have a record year for oil exports in 1972, with approximately half of total production finding its way to high-priced and hungry U.S. markets.

Canada's current exports of oil to the United States are running at approximately 130,000 barrels a day above the new quota set last week by the U.S. President and the United States currently relies on Canada for shipments of an average million barrels daily so that the new quota figure has little relationship to actual exports.

The President announced increased quotas of 230,000 barrels daily on an annual basis of which Canada gets 30,000 barrels. The quota increase was largely to meet rising demands in New England markets.

The latest increase brings Canada's quota to 570,000 barrels daily in districts east of the Rockies- but Canada also supplies 300,000 barrels daily to the U.S. West Coast market plus other products which bring total shipments to the million barrel mark.

In the 1950's, the U.S. was an exporter of petroleum. Since 1967, the U.S. has become dependent on imports. By 1980, the U.S. will import half its requirements - about 12 million barrels per day. By 1980, the U.S. demand for natural gas will be in excess of 30 trillion cubic feet - with domestic supplies to cover only 15 trillion cubic feet. These figures have obvious implications for Canada.

RESOURCE ADEQUACY: CRITICAL IN THE ENERGY EQUATION

Oil and natural gas, in 1970, made up about two-thirds of our primary energy consumption. Even if electrical energy, increases substantially over

the next thirty years, principally through the increased importance of nuclear power, Canada's requirements for oil and natural gas in the year 2000 may well be three or four times the amounts used in 1970.

Just to meet Canadian requirements, we can expect to need additional reserves approximately equal to all proven reserves to date. In addition, if we want to maintain, say, 15 years petroleum reserves on hand, these additional reserves should be identified over the next ten years. Even with a fairly satisfactory tar sands development, most of the additional reserves are likely to have to come from the new frontier areas - the Arctic mainland and islands, and possibly offshore on the East Coast.

The tie-in of the reserve picture with exports and imports of oil and natural gas is apparent.

In recent years, Canada has been running a rapidly increasing surplus of exports over imports of oil and natural gas. A continuation of the rapid increase in net exports could press hard on readily available reserves within ten or fifteen years.

Petroleum, coming from either new frontier areas or from the tar sands, is likely to be high cost by today's standards.

The increasing costs from sources within Canada will co-exist with rising prices in world markets. These changing relationships, together with the size and location of new reserves, will face Canadians with new choices regarding both the export and import of oil and natural gas. Whatever choices are made will have profound national and regional impacts.

SECURITY OF SUPPLY

Almost as important as the economics of oil or gas developments, at least in some minds, are some very vague notions about this concept of the security of supply. In our oil and gas dealings with the United States, for example, I have found the definition of this issue elusive in the weeks and months I've spent trying to understand Canada-U.S. relations in these areas. And I hope we can have an early and substantive exchange of views to clarify the U.S. position. In my view, Canada has and will continue to be a secure supplier of petroleum products to U.S. markets.

Yet the decision to proceed with the TAP's pipeline revealed the U.S. desire expressed by Interior Secretary Rogers Morton to approve the route in part because the U.S. would retain total jurisdiction and exclusive use of the pipeline moving Prudhoe Bay oil southward to markets.

A condition that Canada could not benefit by the transport of Canadian oil or gas in a pipeline crossing near major Canadian reserves would never be acceptable for either gas or oil pipelines through Canada to the U.S.

Canadian Government pipeline guidelines issued in August, 1970, stated that any such facilities must be a common carrier, providing access for Canadian petroleum resources.

ENVIRONMENTAL IMPACT

The decision to proceed with the TAPS route could, of course, have a serious environmental impact here on the west coast. It's my understanding that permits to build the line will only be issued after matters currently before the U.S. courts have been resolved.

Those of you in British Columbia realize that in February, 1971, a unanimous decision of the British Columbia legislature requested the federal government to make representations to the United States government relative to protection from oil spills on the West coast.

By a unanimous vote, the House of Commons on May 15, 1972, agreed to a motion which read:

> "That this House herewith declares that the movement of oil by tanker along the coast of British Columbia from Valdez in Alaska to Cherry Point in Washington is inimical to Canadian interests especially those of an environmental nature,
>
> And further, that this resolution be forthwith transmitted to the government of the United States of America in order that that government be apprised of the concern that the House of Commons of Canada has about the proposed movement of oil."

We are still far from assured that our coastline will be adequately protected from the hazards of major oil spills resulting from stepped up tanker traffic and our representations for protection will continue.